

**Teacher's version P.78-80 (2.3: The Gini Coefficient - Activity 3)*

Teaching Material 1 (TM1)

Study Exhibit 1 and 2 and explain how the change in household size affects the Gini Coefficient.

Exhibit 1: A case showing the change in household size and change in Gini Coefficient

<u>Situation 1: 20 years ago</u>	<u>Situation 2: Present</u>
<p>There were two families: The Ho and the Lee.</p> <p>1. <u>The Lee family:</u> Mr. and Mrs. Lee with three sons The total family income was \$40,000.</p> <p>2. <u>The Ho family:</u> Mr. and Mrs. Ho with three daughters The total family income was \$40,000.</p> <p>Total annual income was \$80,000. Gini Coefficient was zero.</p>	<p>There are five families originated from the Hos and the Lees. All Mr. Lee's sons married to the daughters of Mr. Ho.</p> <p>1. <u>The Lee family (first generation):</u> Mr. and Mrs. Lee. Total family income is \$10,000.</p> <p>2. <u>The Ho family (first generation):</u> Mr. and Mrs. Ho. Total family income is \$10,000.</p> <p>3. <u>The first Lee family (second generation):</u> Mr. and Mrs. Lee. Total family income is \$20,000.</p> <p>3. <u>The second Lee family (second generation):</u> Mr. and Mrs. Lee. Total family income is \$20,000.</p> <p>5. <u>The third Lee family (second generation):</u> Mr. and Mrs. Lee. Total family income is \$20,000.</p> <p>Total annual income is \$80,000. Gini Coefficient is 0.15.</p>

Source:

Cases presented by Census and Statistics Department, 2007

Exhibit 2: An extract of a report

Impact of the change in family size on income inequality

Big families with three generations living together were common in the 1960s and 1970s in Hong Kong. But nowadays, there are increasing numbers of small families, elderly households and elderly living alone. These changes have caused great effect on household income distribution. As the average size of household was diminishing, the growth in average household income has slowed down. Many old people are living separately from their children. Many of them do not have any income, but live on past savings or social security. As a result, there is a great increase of small but low-income families. This change in family structure has significant and obvious impact on the Gini Coefficient.

Source:

Adapted from KWOK Kwok Chuen, Income Distribution of Hong Kong and the Gini Coefficient.

Answers:
